

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3135-01
Bill No.: SB 860
Subject: Appropriations, State Employees, Salaries
Type: Original
Date: January 26, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
General Revenue *	\$0	(\$12,560,000)	(\$12,842,000)
Total Estimated Net Effect on General Revenue Fund *	\$0	(\$12,560,000)	(\$12,842,000)

* subject to appropriation.

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Various *	\$0	(\$7,576,000)	(\$7,746,000)
Total Estimated Net Effect on <u>All</u> State Funds *	\$0	(\$7,576,000)	(\$7,746,000)

* subject to appropriation.

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007

Various *	\$0	(\$4,420,000)	(\$4,519,000)
Total Estimated Net Effect on <u>All</u> Federal Funds *	\$0	(\$4,420,000)	(\$4,519,000)

* subject to appropriation.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Conservation** (MDC) assume the proposal would result in significant additional cost to adjust salaries. Based on current salaries, MDC estimates the cost could be \$1.1 million for the first year.

Officials from the **State Tax Commission**, the **State Highway Patrol**, the **Department of Higher Education**, the **Department of Health and Senior Services**, the **Missouri House of Representatives**, the **Department of Insurance**, the **Department of Social Services**, the **Department of Mental Health**, the **Department of Public Safety, Division of Fire Safety and Missouri Veterans Commission**, the **Missouri Ethics Commission**, and the **Office of State Public Defender** assume the proposal would result in an unknown additional cost to their organization to adjust employee salaries.

Officials from **Missouri Consolidated Health Care Plan** assume the proposal would create an additional cost for FY 2005 between \$44,560 and \$103,973.

ASSUMPTION (continued)

Officials from the **Department of Transportation** assume the proposal would create an additional cost for FY 2006 and FY 2007 of approximately \$3 million.

Officials from the **Office of Administration, Division of Personnel**, (OADP) assume the following:

This proposed legislation would affect all state employees. OADP administers the Uniform Classification and Pay System pay plan, affecting about 40,000 employees in 12 state agencies. This proposal would impact the manner in which state employee pay increases are applied and the manner in which pay is administered. The proposed legislation tie state salaries to increases in the Consumer Price Index (CPI) as determined by the U.S. Department of Labor, Bureau of Labor Statistics for the Midwest Region of the United States which contains the State of Missouri.

The fiscal impact of a one percent change in the CPI, with fringes is \$12,285,000 in salary and benefits tied to salary for General Revenue; \$4,323,000 in Federal funds; \$7,410,000 in Other funds; and \$24,017,000 total. This estimate was calculated by multiplying the Fiscal Year 2004 Total Personal Service estimates by 1% and adding 18.78% for benefits that increase as salaries increase.

The increases in the CPI can vary from small to large percentages. Over the past three years the CPI has increased 3.4% in CY 2000, 2.7% in CY 2001 and 1.2% in CY 2002. The one percent calculation provides an estimate of what a one percent increase in the CPI would cost the state in salaries and fringes tied to salaries. A small number of employees, primarily the elected officials, general assembly, department heads and members of some boards and commissions would not receive the CPI increase under the provisions of this proposed legislation, but may receive an equivalent increase nevertheless.

Officials from the **Department Of Economic Development, Public Service Commission** assume that applying the Consumer Price Index (CPI) percentages as detailed in the general structure pay recommendations of the Personnel Advisory Board (PAB) to the PSC's personal services appropriations, would result in impact would be as follows. In Fiscal Year 2003, personal service appropriations were \$9,754,448. The CPI (see note below) of 3.3 percent would equate to an increase of \$321,897 for salary adjustments. For Fiscal Year 2004, a CPI of 1.9 percent would be applied to personal service appropriations of \$9,760,935, resulting in \$185,457 for salary adjustments.

Officials from the **Office of State Courts Administrator** assume the proposal would result in additional cost of approximately \$2.8 million per year.

ASSUMPTION (continued)

Officials from the **Department of Labor and Industrial Relations** assume this proposal would result in additional cost to their organization of \$137,393 for FY 2005, \$140,828 for FY 2006,

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and \$144,350 for FY 2007.

Officials from the **Department of Revenue** assume this proposal would result in additional cost to their organization from state fund of \$1,297,983 for FY 2005, FY 2006, FY 2007. Additional cost to federal funds is estimated at \$17,281 per year.

Officials from the **Office of Administration, Division of Budget and Planning**, and the **Office of the State Treasurer** defer to the Office of Administration, Division of Personnel estimate of costs.

Officials from the **Office of the Attorney General** assume that any additional costs resulting from this proposal could be absorbed with existing resources.

Officials from the **Office of the Governor**, the **Office of the Lieutenant Governor**; the **Department of Public Safety, Office of the Director, State Emergency Management Agency, State Water Patrol, Division of Alcohol and Tobacco Control**, and **Capitol Police**; the **Missouri Gaming Commission**, and the **Public School Retirement System of Missouri** assume this proposal would have no impact on their organizations.

In response to a similar proposal in the prior session, officials from the **Office of the Secretary of State (SOS)** assumed this proposal would require the compensation schedule for certain state employees to be printed in the Missouri Register one time per year. SOS notes this type of notice is not carried forward and printed in the Code of State Regulations. SOS estimates printing one to two pages in the appropriate edition of the Missouri Register would cost \$46 in FY 2004.

Oversight assumes the cost associated with printing additional pages in the Missouri Register could be absorbed.

Oversight has calculated an estimate of cost for this proposal based on applying the average increase in the CPI over the past three years. Oversight assumes if the proposal passes the first year affected will be FY 2006, the cost will be based on the actual change over the past year, and the appropriations would be made rather than disapproved.

<u>FISCAL IMPACT - State Government</u>	FY 2005	FY 2006	FY 2007
	(10 Mo.)		
GENERAL REVENUE			

<u>Costs – All Departments and Agencies</u>			
Increase in State Employees' Salaries			
Based on Change in CPI *	<u>\$0</u>	<u>(\$12,560,000)</u>	<u>(\$12,842,000)</u>

ESTIMATED NET EFFECT ON GENERAL REVENUE *	<u>\$0</u>	<u>(\$12,560,000)</u>	<u>(\$12,842,000)</u>
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* subject to appropriation.

VARIOUS OTHER STATE FUNDS

<u>Costs – All Departments and Agencies</u>			
Increase in State Employees' Salaries			
Based on Change in CPI *	<u>\$0</u>	<u>(\$7,576,000)</u>	<u>(\$7,746,000)</u>

ESTIMATED NET EFFECT ON VARIOUS OTHER STATE FUNDS *	<u>\$0</u>	<u>(\$7,576,000)</u>	<u>(\$7,746,000)</u>
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* subject to appropriation

<u>FISCAL IMPACT - State Government</u>	FY 2005	FY 2006	FY 2007
	(10 Mo.)		
FEDERAL FUNDS			

VARIOUS FUNDS

<u>Costs – All Departments and Agencies</u>			
Increase in State Employees' Salaries			
Based on Change in CPI *	<u>\$0</u>	<u>(\$4,420,000)</u>	<u>(\$4,519,000)</u>

ESTIMATED NET EFFECT ON VARIOUS FEDERAL FUNDS *	<u>\$0</u>	<u>(\$4,420,000)</u>	<u>(\$4,519,000)</u>
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* subject to appropriation.

<u>FISCAL IMPACT - Local Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This proposal would require an annual adjustment to most state employees' salaries based on the change in the U.S. Department of Labor Consumer Price Index. The adjustments would be made and appropriations for the adjustment would be required unless disapproved by concurrent resolution of the general assembly.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the Governor
Office of the Lieutenant Governor
Office of the Attorney General
Department of Public Safety
 Office of the Director
 State Emergency Management Agency
 State Water Patrol
 Division of Alcohol and Tobacco Control
 Capitol Police
Missouri Gaming Commission
Public School Retirement System of Missouri
Department of Conservation
State Tax Commission

SOURCES OF INFORMATION (continued)

Missouri Consolidated Health Care Plan
Department of Transportation
Office of State Public Defender
Office of Administration
 Division of Personnel
Division of Budget and Planning
Department of Economic Development
 Public Service Commission
Department of Health and Senior Services
Missouri House of Representatives
Office of State Courts Administrator
Department of Labor and Industrial Relations
Department of Public Safety
Division of Fire Safety
 Missouri Veterans Commission
Missouri Ethics Commission
Department of Mental Health
Department of Insurance
Department of Social Services
Department of Revenue
Office of the State Treasurer
Department of Higher Education
State Highway Patrol



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Director
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